WASHINGTON, DC- Congressman Steny H. Hoyer (D-MD) is calling on Treasury Department Secretary Henry Paulson to take immediate action to deploy a portion of the T *roubled Asset Relief Program* *(* TARP) to stem the rising tide of foreclosures that are at the center of the financial crisis. Rep. Hoyer made the case for greater foreclosure mitigation efforts and homeowner assistance in a meeting this week between Democratic leaders and Secretary Paulson.

"When Congress passed the economic recovery package, we instructed the Administration to help at-risk homeowners whose ability to finance their mortgages is integral to stabilizing the economy," stated Rep. Hoyer. "I commend steps already taken to streamline the mortgage modification process, but much more needs to be done to stem foreclosures and address the struggles of average Americans in the weak economy."

The Emergency Economic Stabilization Act enacted in October requires the Treasury to modify troubled loans wherever possible to help at-risk homeowners. It also directs other federal agencies to modify loans that they own or control. Last week, the Federal Housing Administration's Hope for Homeowners program announced regulatory changes to help at-risk borrowers modify loans held by Fannie Mae or Freddie Mac. These changes, authorized by Congress under the TARP legislation, should help expand use of the program.

"The mortgage meltdown is at the heart of this economic slowdown, and while we work to stabilize our financial system, funds should be dedicated to mitigating the estimated 4 to 5 million foreclosures that will otherwise occur over the next two years," stated Rep. Hoyer. "The streamlined modification process is a constructive development, but the severity of the crisis calls for greater measures."

Congressman Hoyer identified at least four programs or proposals that could fund and operate through TARP to provide significant foreclosure relief:

- FDIC Chairman Sheila Bair has proposed a broad program to modify and provide credit guarantees for troubled mortgages that could prevent an estimated 1.5 million foreclosures in the next year alone. Chairman Bair believes that the authority already exists to run such a program through TARP under Section 109 of the legislation.

- At a hearing held by the House Financial Services Committee this week, economist Martin Feldstein proposed a "mortgage replacement program" allowing the government to substitute new loans for portions of existing troubled mortgages. These new government loans would replace 20% of the borrower's existing loan, with the remaining private mortgage (now for

80% of the original amount) being "full recourse," giving the creditor access to the borrower's assets beyond the security value of the home itself. This will lower borrowers' monthly payments and provide protection against falling into negative-equity positions that encourage default and foreclosure.

- The recently approved changes to the FHA Hope for Homeowners program, as noted above, will help enhance participation. However, Treasury should augment these changes by using TARP funds (under the authority in Section 109) to reduce the high level of upfront and annual fees required under Hope for Homeowners loans. These high fees are depressing program use, and using TARP funds to pay them down could significantly increase the number of foreclosures averted.

- TARP also mandates that Treasury implement a plan to maximize modifications to mortgages that it acquires. Because mortgages in danger of default clearly qualify as "troubled assets" Treasury should begin buying whole loans on a large scale for the specific purpose of modifying those loans and keeping the borrowers in their homes.

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